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TO: <u>NAME</u>	<u>FACSIMILE NO.</u>	<u>CONFIRMATION NO.</u>
R.W. Smith	410-580-3001	(410) 580-4266
William Taylor, IV	410-580-3001	
cc: Gary Horowitz		
cc: Tom Lamacchia		
FROM: Tom Lamacchia	I.D. NUMBER (5 digits) 01740	SENDER'S FLOOR: 23 rd
CLIENT/MATTER NO.: 098070/0005	DATE: November 20, 2001	OPERATOR: <i>CM</i>
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OCC 011028

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

These disclosure schedules are provided in connection with the Agreement and Plan of Merger (the "Agreement") dated as of November __, 2001, by and among [____], CareFirst, Inc. and ~~CF Congress~~ Acquisition Corp. Terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

The representations and warranties of CareFirst, Inc. in the Agreement are made and given subject to the disclosures contained within these disclosure schedules. ~~Any matter disclosed in any part of these disclosure schedules shall be deemed disclosed for purposes of each other part of these disclosure schedules in which it may be relevant, if the disclosure of any matter in a disclosure schedule other than in the relevant disclosure schedule provides Purchaser with a sufficiently full disclosure such that Purchaser would be reasonably expected to know that the matter disclosed was applicable to the disclosure contained in the relevant disclosure schedule. Further, no matter contained within~~ The mere inclusion of an item in these disclosure schedules shall be deemed material merely because such matter is contained herein as an exception to a representation or warranty shall not be deemed an admission by CareFirst, Inc. that such item represents a material exception or fact, event or circumstance or that such item is reasonably likely to result in a Material Adverse Effect.

PRELIMINARY - SUBJECT TO CHANGE

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

Section 4.4(a) No Violation: Consents and Approvals

1. Amended and Restated Credit Agreement, dated December 31, 1998, as amended, by and among SunTrust Bank (f/k/a Crestar Bank), Group Hospitalization and Medical Services, Inc., CareFirst of Maryland, Inc. and CFS Health Group, Inc.
2. Patuxent Medical Group, P.A. Employment Agreement, dated March 17, 1986, as amended, by and among Patuxent Medical Group, P.A., a Maryland professional corporation, Columbia Medical Plan, Inc., a Maryland corporation certified under the Maryland Health Maintenance Organization Act and individual medical doctors. This agreement requires notification to the other parties to the contract about the merger transaction, but not their consent.
3. Contract for Federal Employees Health Benefits, as amended, Contract No: CS 1039; Effective: January 1, 1960, between The United States Office of Personnel Management and Blue Cross and Blue Shield Association Service Benefit Plan.
4. Professional Liability Insurance: Professional Liability Program, including Directors and Officers Liability and Employment Practices Liability; Policy Number - D/O 011 190; Insurer - BCS Insurance Co.
5. Workers Compensation Policy: Policy Number - D/O 001 190; Insurer - Twin City Fire Insurance Company.
6. Blue Cross License Agreement, dated December 17, 1997 by and between Blue Cross and Blue Shield Association and The Blue Cross Plan, known as CareFirst, Inc.
7. Blue Cross Controlled Affiliate License Agreement, dated December 17, 1997 by and between Blue Cross and Blue Shield Association and the following Controlled Affiliates: CareFirst of Maryland, Inc., CareFirst BlueChoice, Inc. and Free State Health Plan, Inc. and BCBS-NCA
8. Insurance Commissioner Orders requiring approval of the transaction are as follows:
 - a. State of Delaware, Department of Justice Order, dated March 20, 2000, approving the business combination of CareFirst, Inc. and Blue Cross and Blue Shield of Delaware.
 - b. Maryland Insurance Commissioner Order, dated March 21, 2000, Case Number MIA-183-3/00, approving the business combination of CareFirst, Inc. and Blue Cross and Blue Shield of Delaware.
 - c. Maryland Insurance Commissioner Order, dated December 23, 1997, Case Number MIA-240-12/97, approving the business combination of Blue Cross and Blue Shield of Maryland and Group Hospitalization and Medical Services, Inc.

BALTZ:490046:23:11/19/01
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Why is
"approval"
needed under
these
orders
- 4 -

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OCC 011030

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001**

Sen d.

Government of the District of Columbia, Department of Insurance and Securities Regulation
Decision and Order, dated December 23, 1997, Case Number A-HC-97-01, approving the
business combination of Blue Cross and Blue Shield of Maryland and Group Hospitalization and
Medical Services, Inc.

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

Section 4.8 / Absence of Certain Changes or Events

Nothing here
should be an
exception
to
4.8(c)

1. In the first quarter of 2001, Free State Health Plan sold its pharmacy operations for \$2,979,000 to a non-affiliated third party.
2. BCBSD sold Allnation Insurance Company and Allnation Global Insurance Agency, Inc. to Barbados Life Assurance Society on October 31, 2001. BCBSD also will dissolve Allnation Delaware Insurance Agency, Inc. no later than December 31, 2001.
3. Managed Care Re-Positioning: As a result of CareFirst's Managed Care Re-Positioning initiatives, Patuxent Medical Group and Potomac Physicians, P.A. are changing from a capitated reimbursement to a fee-for-service model. As a result of this effort, Free State Health Plan (a capitated model HMO) likely will merge into CareFirst BlueChoice, Inc. (a fee-for-service model HMO), which will become CareFirst's regional HMO. In the process, Free State and Delmarva likely will exit their individual and small group market segments in Maryland and Delaware and give up Delmarva's certificate of authority to operate in Delaware. CareFirst expects to consummate all of its Managed Care Repositioning initiatives referred to herein by December 31, 2002. In connection with the repositioning, Free State Health Plan has informed the Office of Personnel Management ("OPM") that it will no longer participate in the Federal Employees Health Benefits Program and CareFirst BlueChoice has requested from OPM a change from community rating to experience rating.

CareFirst BlueChoice currently has approximately 4,000 subscribers in an area in Virginia in which Trigon Healthcare, Inc. holds the exclusive BCBSA right to use of the "Blue" brand. BCBS-NCA has applied to the appropriate Virginia regulatory agency for approval of a license to operate a new health maintenance organization in Virginia without the "Blue" brand in order to service the CareFirst BlueChoice subscribers.

~~BCBS-NCA expects to enter into a lease for office space and relocate the operations currently performed at 550 12th Street, SW, Washington, D.C. into such space.~~

4. BCBS-NCA has agreed to pledge \$1.65 million as collateral to secure obligations to BCS Life Insurance Co. in connection with long term care contracts issued by BCBS-NCA to members of B'nai Brith and administered by BCS Life Insurance Co.
5. On September 28, 2001, BCBS-MD received a draft report from Carmichael, Brasher, Tuvell and Company challenging \$4 million in Medicare claimed costs for fiscal years 1996-1999. BCBS-MD estimates the risk of loss to be \$637,000 and has established a \$627,000 reserve.

~~6. See also Section 6.1 disclosure schedule.~~

↳ 4.8 limited to the "date of this agreement"

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Section 4.11(a) Certain Contracts and Commitments

TOP 25 CUSTOMER CONTRACTS:

1. State of Maryland
2. City of Baltimore
3. Baltimore County Government
4. State of Delaware
5. MBNA America
6. Federal Employees Program
7. Verizon
8. Prince George's County Public Schools
9. Aerotek
10. GEICO
11. Fairfax County Public Schools
12. Integrated Health Services
13. Anne Arundel County Board of Education
14. Montgomery County Government
15. Harford County
16. Fairfax County Government
17. Montgomery County Public Schools
18. BCBS-MD
19. Johns Hopkins Hospital
20. Transit Employees Health & Welfare Fund
21. Anne Arundel County
22. US Office Products
23. BG&E
24. Medstar
25. Northrup Grumman ESSD

~~See also Section 4.8 Disclosure schedule~~